

(b) the IPP's in States like Gujarat, Andhra Pradesh and Tamil Nadu are already in default by the SEB's creating apprehension and financial losses in their project; and

(c) if so, Government reaction thereto?

**THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA):** (a) to (c) Several Independent Power Producers have made representations to the Union Ministry of Finance with respect to tax exemption under Section 10 (23G) in reference to the newly introduced Section 14A in the Income Tax Act, 1961. This amendment was made specifically to provide that no deduction shall be allowed in respect of expenditure incurred in relation to exempt income. The exemption under Section 10 (23G) was always allowable on net basis only. This was specifically clarified through Circular No. 780 dated October 4, 1999 issued by the Central Board of Direct Taxes to provide that only the net income after taking into account all expenses incurred to earn the said income would be exempt under Section 10(23G) of the Income Tax Act. Only the net income i.e. gross income minus the expenditure, is taxed and on the same analogy, the exemption is also in respect of the net income. As some of the assessees were not accepting the circular issued in October, 1999 this was leading to a lot of litigation. To avoid such litigations, Section 14A was inserted through Finance Act, 2001 with retrospective effect from April 1, 1962 to reiterate the above mentioned principles of taxation which was also specifically stated through circular No. 780 dated October 4, 1999.

#### **Appointment of MP's as Chairpersons of District Rural Development Agencies**

**1909. SHRI A. VIJAYA RAGHAVAN:** Will the Minister of RURAL DEVELOPMENT be pleased to state:

(a) whether Government are considering to appoint MP's as chairpersons of district rural development agencies that have large funds at their disposal; and

(b) if so, the details thereof?

[8 August, 2001]

RAJYA SABHA

**THE MINISTER OF RURAL DEVELOPMENT (SHRI M. VENKAIAH NAIDU):** (a) and (b) The matter regarding appointment of MPs as Chairpersons of District Rural Development Agencies is under consideration.

**Supply of Drinking Water to AP and Orissa**

**1910. DR. DASARI NARAYANA RAO:** Will the Minister of RURAL DEVELOPMENT be pleased to state the details of arrangements made for the adequate supply of drinking water and fodder in the drought affected areas of Andhra Pradesh and Orissa this year?

**THE MINISTER OF STATE IN THE MINISTRY OF RURAL DEVELOPMENT (DR. (SHRIMATI) RITA VERMA):** State Governments take up relief work to mitigate drought situation, *inter alia*, which includes making arrangements for drinking water supply and fodder in drought affected areas of the State. Government of India supplements their efforts to mitigate the problem. After the current monsoon, Government of Andhra Pradesh has reported deficient rainfall in some parts of the State leading to drought situation, whereas in Orissa, flood has been reported in major parts of the State.

As per the information furnished by the Government of Andhra Pradesh, State Government has made arrangements during this year for drinking water supply in drought affected areas by making special arrangements to attend to operation and maintenance of water supply systems, drilling of new tube wells, deepening of bore wells, augmentation of piped water supply schemes, flushing of bore wells, extraction of pipelines, repair of water supply schemes, transportation of water, etc. Keeping in view the deficient rainfall due to which less area was sown with fodder yielding crops, State Government has taken steps for supply of fodder and cattle feed in affected districts.

In case of Orissa, as reported by the State Government, to combat drought situation in the affected districts of State, last year "Operation Trishna" was launched to meet drinking water scarcity in